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FISCAL INTERMEDIARY ESTIMATE

May 2006

2005-06	TOTAL	FEDERAL (a)	STATE
EDS CONTRACT (b)	\$161,119,000	\$122,085,000	\$39,034,000
DELTA DENTAL ADMINISTRATION (c)	\$70,680,000	\$49,643,000	\$21,037,000
HEALTH CARE OPTIONS (d)	\$44,608,000	\$22,304,000	\$22,304,000
STATE CONTROLLER/STATE TREASURER	\$2,783,000	\$1,820,000	\$963,000
INSURANCE I.D. CONTRACTS	\$3,000,000	\$2,250,000	\$750,000
MEDICAL FI TECHNOLOGY ASSESSMENT	\$0	\$0	\$0
PROVIDER VERIFICATION FILE	\$4,000	\$3,000	\$1,000
TOTAL MEDI-CAL COSTS	\$282,194,000	\$198,105,000	\$84,089,000

(a) The Federal Funds portion includes \$69,524 in special refugee funds.

(b) Includes \$195,728 (\$97,864 GF) for Title XXI activities (4260-113-0001/0890),
and \$24,028,531 (\$2,843,106 GF) for HIPAA (4260-117-0001/0890).

(c) Includes \$2,568,083 (\$381,992 GF) for HIPAA (4260-117-0001/0890).

(d) Includes \$90,538 (\$45,269 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY ESTIMATE

May 2006

2006-07	TOTAL	FEDERAL (a)	STATE
EDS CONTRACT (b)	\$172,362,000	\$128,313,000	\$44,049,000
DELTA DENTAL ADMINISTRATION (c)	\$83,428,000	\$59,769,000	\$23,659,000
HEALTH CARE OPTIONS (d)	\$47,166,000	\$23,583,000	\$23,583,000
STATE CONTROLLER/STATE TREASURER	\$2,814,000	\$1,789,000	\$1,025,000
INSURANCE I.D. CONTRACTS	\$4,000,000	\$3,000,000	\$1,000,000
MEDICAL FI TECHNOLOGY ASSESSMENT	\$500,000	\$250,000	\$250,000
PROVIDER VERIFICATION FILE	\$4,000	\$3,000	\$1,000
TOTAL MEDI-CAL COSTS	\$310,274,000	\$216,707,000	\$93,567,000

(a) The Federal Funds portion includes \$76,825 in special refugee funds.

(b) Includes \$188,065 (\$94,033 GF) for Title XXI activities (4260-113-0001/0890),
and \$33,665,265 (\$3,946,273 GF) for HIPAA (4260-117-0001/0890).

(c) Includes \$8,318,858 (\$1,937,921 GF) for HIPAA (4260-117-0001/0890).

(d) Includes \$0 (\$0 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY

Comparison of May 2006 Estimate to Appropriation and November 2005 Estimate and Current Year to Budget Year

Current Year 2005-06 Comparison

	2005-06 Appropriation		November 2005 Estimate CY		May 2006 Estimate CY		Difference between May 2006 & Appropriation		Difference between May 2006 & November 2004	
	Total Funds	State Funds	Total Funds	State Funds	Total Funds	State Funds	Total Funds	State Funds	Total Funds	State Funds
Total EDS	\$194,695,000	\$50,737,000	\$187,341,000	\$51,620,000	\$161,119,000	\$39,034,000	-\$33,576,000	-\$11,703,000	-\$26,222,000	-\$12,586,000
Total Delta Dental	\$69,680,000	\$19,201,000	\$69,583,000	\$19,843,000	\$70,680,000	\$21,037,000	\$1,000,000	\$1,836,000	\$1,097,000	\$1,194,000
Total Health Care Options	\$49,532,000	\$24,766,000	\$46,851,000	\$23,426,000	\$44,608,000	\$22,304,000	-\$4,924,000	-\$2,462,000	-\$2,243,000	-\$1,122,000
Total Miscellaneous Expenditures	\$8,157,000	\$2,432,000	\$6,278,000	\$1,954,000	\$5,787,000	\$1,714,000	-\$2,370,000	-\$718,000	-\$491,000	-\$240,000
GRAND TOTAL	\$322,064,000	\$97,136,000	\$310,053,000	\$96,843,000	\$282,194,000	\$84,089,000	-\$39,870,000	-\$13,047,000	-\$27,859,000	-\$12,754,000

Budget Year 2006-07 Comparison

	November 2005 Estimate BY		May 2006 Estimate BY		Difference between May 2006 & November 2005	
	Total Funds	State Funds	Total Funds	State Funds	Total Funds	State Funds
Total EDS	\$180,495,000	\$48,196,000	\$172,362,000	\$44,049,000	-\$8,133,000	-\$4,147,000
Total Delta Dental	\$79,822,000	\$22,801,000	\$83,428,000	\$23,659,000	\$3,606,000	\$858,000
Total Health Care Options	\$52,816,000	\$26,408,000	\$47,166,000	\$23,583,000	-\$5,650,000	-\$2,825,000
Total Miscellaneous Expenditures	\$7,104,000	\$2,052,000	\$7,318,000	\$2,276,000	\$214,000	\$224,000
GRAND TOTAL	\$320,237,000	\$99,457,000	\$310,274,000	\$93,567,000	-\$9,963,000	-\$5,890,000

MEDICAL FISCAL INTERMEDIARY

ELECTRONIC DATA SYSTEMS

EDS DATA SYSTEMS CORPORATION (EDS)

The medical fiscal intermediary contract with Electronic Data Systems (EDS) became effective in May 2003. EDS initiated claims processing functions under this contract on July 1, 2003. The terms of the contract require EDS to process claims submitted by Medi-Cal providers for services rendered to Medi-Cal eligibles. There are numerous enhancements to the claims processing system which have been made under the terms of the contract. The main cost components of the EDS contract are:

Operations – Operations constitute all contractual responsibilities required for the Contractor to administer and operate the California Medicaid Management Information System (CA-MMIS). These cost categories consist of General and Online Drug Adjudicated Claim Lines (ACLs), Drug Use Review (DUR) inquiries, California Eligibility Verification and Management Systems (CA-EVS/CMS) processing and the Telephone Support Center (TSC). EDS has bid on State-specified volume ranges for each of the above categories. The Department estimates Operations costs by applying these bid rates to the projected volumes for the current and budget year.

Cost Reimbursement – Various costs incurred by the Contractor while performing responsibilities under the contract will be reimbursed by the State. These costs are not a part of the bid price of the contract. Any of the following costs may be cost reimbursed under the contract: 1) postage; 2) parcel services and common carriers; 3) personal computers, monitors, printers, related equipment, and software; 4) printing; 5) telephone toll charges; 6) audio text equipment; 7) data center access; 8) special training sessions; 9) facilities improvement and modifications; 10) audits and research; 11) sales tax; 12) change orders; 13) the Medi-Cal Print and Distribution Center; 14) DUR and Eligibility Verification Telecommunications; 15) Field Office Automation Group (FOAG) equipment and furniture; and 16) IV&V Contracts. Costs under these categories consist of direct costs, or subsets thereof, which can be specifically identified with the particular cost objective.

Hourly Reimbursement – Certain activities are reimbursed on an hourly basis by the State. The rate paid to the Contractor consists of all direct and indirect costs required to support these activities, plus profit. Hourly reimbursed areas consist of the Systems Group (SG), FOAG, computer support, and the expert witness. The SG staff consists of technical and supervisory staff that design, develop and implement Department required modifications and/or provide technical support to the CA-MMIS. FOAG staff work in the field offices and perform field automation related tasks, such as preparing Treatment Authorization Request (TAR) batches and performing TAR data entries and corrections. The Contractor is reimbursed on an hourly basis for computer time. This occurs when the Contractor is asked to perform ad hoc reporting functions for the State. Also, the Contractor is reimbursed on an hourly basis when they provide expert witness services on behalf of the State and its political subdivisions. Such instances include subpoenas for hearings, proceedings or other meetings or events on all aspects of the Contractor's operations under this contract.

**EDS Summary
May 2006 Estimate**

FY 2005-06	Total	State Funds
Operations	\$59,842,740	\$18,509,330
Hourly Reimbursement	\$49,486,476	\$3,726,608
Cost Reimbursement	\$25,858,117	\$8,767,408
Other Estimated Cost	\$8,257,584	\$3,762,675
Change Orders	\$8,391,391	\$1,822,196
Healthy Families(XXI)	\$195,728	\$97,864
Family PACT	\$288,833	\$144,417
Turnover	\$0	\$0
Takeover	\$0	\$0
Enhancements	\$5,964,007	\$1,491,002
Sub-Total	\$158,284,876	\$38,321,498
Sales Tax	\$2,834,198	\$712,480
TOTAL EDS COSTS	\$161,119,074	\$39,033,978

FY 2006-07	Total	State Funds
Operations	\$51,389,337	\$15,922,730
Hourly Reimbursement	\$53,869,673	\$3,501,370
Cost Reimbursement	\$33,262,644	\$11,406,513
Other Estimated Cost	\$8,488,120	\$3,990,137
Change Orders	\$22,338,237	\$8,347,172
Healthy Families(XXI)	\$188,065	\$94,033
Family PACT	\$303,274	\$151,637
Turnover	\$0	\$0
Takeover	\$0	\$0
Enhancements	\$0	\$0
Sub-Total	\$169,839,350	\$43,413,591
Sales Tax	\$2,522,933	\$635,202
TOTAL EDS COSTS	\$172,362,283	\$44,048,793

EDS ESTIMATE (DETAIL TABLE)**May 2006**

FY 2005-06	TOTAL FUNDS
OPERATIONS	\$59,842,740
Claims Adjudication	
ACL General Operations Bid (a)	\$27,114,025
ACL On-Line Pharmacy	
Operations	\$7,402,198
DUR	\$2,540,277
CA-EVS/CMS Processing	\$10,657,285
SB 393 Drug Inquiries	\$103,204
Telephone Services Center	\$12,025,751
HOURLY REIMBURSEMENT	\$49,486,476
Systems Group	\$34,580,046
Field Office Automation Group (FOAG)	\$14,733,504
Computer Support	\$137,926
Expert Witness	\$35,000
COST REIMBURSEMENT	\$25,858,117
Printing	\$4,897,104
Telecommunications	\$3,356,679
Postage	\$4,076,100
Parcel Post	\$163,701
Equipment	\$12,277,085
Audiotext	\$0
Audit	\$88,780
Facilities Improvements/Modification	\$9,129
Administration	\$28,247
Special Training	\$35,404
Change Order Cost Reimbursement	\$925,888
OTHER ESTIMATED COSTS	\$8,257,584
CA-EVS/CMS Plastic Cards	\$903,292
POS Device Labor Costs	\$83,353
Health Access Program Cards	\$171,872
Savings Proposal Sharing	\$6,793,116
Additional Contractual Services	\$305,951
CHANGE ORDERS	\$8,391,391
Negotiated Change Orders	\$8,058,201
Change Orders in Progress	\$333,190
Unspecified Change Orders	\$0

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FY 2005-06	TOTAL FUNDS
ENHANCEMENTS	\$5,964,007
HEALTHY FAMILIES	\$195,728
FAMILY PACT	\$288,833
TURNOVER	\$0
TAKEOVER	\$0
SUBTOTAL	\$158,284,876
SALES TAX 7.75% as of January 2004	\$2,834,198
TOTAL	\$161,119,074

EDS ESTIMATE (DETAIL TABLE)
May 2006

FY 2006-07	TOTAL FUNDS
OPERATIONS	\$51,389,337
Claims Adjudication	
ACL General Operations Bid (a)	\$25,222,060
ACL On-Line Pharmacy	
Operations	\$4,607,011
DUR	\$825,033
CA-EVS/CMS Processing	\$9,172,948
SB 393 Drug Inquiries	\$92,536
Telephone Services Center	\$11,469,749
HOURLY REIMBURSEMENT	\$53,869,673
Systems Group	\$39,864,194
Field Office Automation Group	\$13,840,479
Computer Support	\$130,000
Expert Witness	\$35,000
COST REIMBURSEMENT	\$33,262,644
Printing	\$5,737,615
Telecommunications	\$3,524,513
Postage	\$5,671,659
Parcel Post	\$171,886
Equipment	\$16,518,685
Audiotext	\$0
Audit	\$113,219
Facilities Improvements/Modification	\$19,586
Administration	\$396,512
Special Training	\$37,174
Change Order Cost Reimbursement	\$1,071,795
OTHER ESTIMATED COSTS	\$8,488,120
CA-EVS/CMS Plastic Cards	\$740,173
POS Device Labor Costs	\$86,056
Health Access Program Cards	\$175,676
Savings Proposal Sharing	\$7,472,428
Additional Contractual Services	\$13,787
CHANGE ORDERS	\$22,338,237
Negotiated Change Orders	\$8,319,928
Change Orders in Progress	\$14,018,309
Unspecified Change Orders	\$0

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BY EDS Estimate (Detail Table), May 2006 Estimate
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FY 2006-07	TOTAL FUNDS
HEALTHY FAMILIES	\$188,065
ENHANCEMENTS	\$0
FAMILY PACT	\$303,274
TURNOVER	\$0
TAKEOVER	\$0
SUBTOTAL	\$169,839,350
SALES TAX 7.75% as of January 2004	\$2,522,933
TOTAL	\$172,362,283

ELECTRONIC DATA SYSTEMS CORPORATION (EDS)

Assumptions

ACL Projections:

FY 05-06	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	144,340,342	\$27,193,534	73,922,183	\$7,413,645
Less HFP	421,965	\$ 79,509	114,204	\$ 11,448
Total Medi-Cal ACLs	143,918,377	\$27,114,025	73,807,979	\$7,402,198

Based on the estimated FY 2005/06 volumes, general ACLs are projected at (.1884) and online ACLs are projected at (.1003). ACLs are paid at different rates depending on the volume level. The average price is a blend of these rates and is determined by the actual annual volume of claims.

FY 06-07	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	146,232,858	\$25,298,722	50,523,157	\$4,617,972
Less HFP	446,063	\$ 76,662	119,914	\$ 10,961
Total Medi-Cal ACLs	145,789,795	\$25,222,060	50,403,243	\$4,607,011

Based on the estimated FY 2006/07 volumes, general ACLs are projected at (.1730) and online ACLs are projected at (.0915). ACLs are paid at different rates depending on the volume level. The average price is a blend of these rates and is determined by the actual annual volume of claims.

*The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA) was implemented in January 2006. MMA provides a prescription drug benefit to all Medicare eligibles who enroll in a Part D plan. All dual Medicare/Medi-Cal eligibles will receive most of their prescription drugs through Medicare beginning on that date. This will cause a decrease in the number of Drug ACLs, which is reflected in the projections listed above.

Negotiated Change Orders:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
1	Implementation of Assembly Bill (AB) 442 Budget Trailer Cost Savings Positions	7/15/2004

Assembly Bill 442, the Health Trailer Bill of 2002, instructs the Department to adjust for increased Treatment Authorization Request (TAR) volume and appeals volume by utilizing contract resources and position authority to contract with 28 Nurse Evaluator (NE) II's to meet timeliness requirements and minimize approval delays that could negatively impact beneficiary health. Additionally, 43 NE II's were to be contracted to operate the Medical Case Management Expansion Program and five Pharmaceutical Consultant II's were to be hired to negotiate rebate contracts with pharmaceutical manufacturers.

This function has transferred to the Department, with the last of the EDS NE II positions converting to State positions effective January 2004. Because of difficulty hiring and keeping Pharmaceutical Consultants, it is anticipated that one Pharmaceutical Consultant II will remain under this change order.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$227,178	\$236,268
General Funds	\$ 56,795	\$ 59,067
Cost Reimbursement:		
Total Funds	\$ 6,568	\$ 6,568
General Funds	\$ 3,284	\$ 3,284
TOTAL FUNDS:	\$233,746	\$242,836
GENERAL FUNDS:	\$ 60,078	\$ 62,351

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
2	CHDP Gateway	7/16/2004

Under the CHDP Gateway Program, children receiving a Child Health and Disability Prevention (CHDP) screen are pre-enrolled in Medi-Cal/Healthy Families. The pre-enrollment will provide two months of comprehensive coverage during which the family may choose to apply for ongoing Medi-Cal/Healthy Families coverage. To facilitate this application, each family with a child covered under pre-enrollment that indicates they want continuing coverage will be sent an application. Current Year and Budget Year costs are for ongoing operations.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$ 70,253	\$ 73,064
General Funds	\$ 35,127	\$ 36,532
Cost Reimbursement:		
Total Funds	\$457,340	\$475,633
General Funds	\$228,670	\$237,817
TOTAL FUNDS	\$ 527,593	\$548,697
GENERAL FUNDS	\$ 263,796	\$274,348

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
3	HIPAA Operations	7/16/2004

As a result of the implementation of the Health Insurance Portability and Accountability Act Transactions and Code Sets (HIPAA), additional operational workload driven by program policy, and regulatory and system modifications will be required. This change order will compensate EDS for these increased costs. Every transaction over 88,000 providers will be impacted as the result of HIPAA.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$6,739,182	\$7,008,749
General Funds	\$1,078,778	\$1,121,929
Cost Reimbursement:		
Total Funds	\$ 95,954	\$ 95,954
General Funds	\$ 23,989	\$ 23,989
TOTAL FUNDS	\$6,835,136	\$7,104,703
GENERAL FUNDS	\$1,102,767	\$1,145,917

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
5	Lab Services Limits	3/28/2005

AB 1762, The Health Trailer Bill of 2003 authorizes the Department to place limits on the number of laboratory tests that may be claimed without prior authorization under the Medi-Cal program. Select laboratory services will be subject to a frequency limitation for services within a set period of time. Once that limit is reached, additional services are subject to prior authorization for determination of medical necessity. Costs have been incurred at EDS for systems development, office equipment, and additional staffing.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$1,251,209	\$1,129,376
General Funds	\$ 625,605	\$ 564,688
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$1,251,209	\$1,129,376
GENERAL FUNDS	\$ 625,605	\$ 564,688

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
6	Discontinuance of the Fee-For-Service Managed Care Network Functions	N/A

The Department has instructed EDS to discontinue all Fee-For-Service Managed Care Network (FFS/MCN) functions under the contract. Since the FFS/MCN functions are being discontinued, an adjustment to the fixed price of the contract will be necessary. It is the Department's intention to recoup the costs of previously bid FFS/MCN activities through this change order.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$(229,622)	\$(127,529)
General Funds	\$ (57,406)	\$ (31,882)
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$(229,622)	\$(127,529)
GENERAL FUNDS	\$(57,406)	\$ (31,882)

Change Orders in Progress:

(This provides for the financing of change orders which have not yet been negotiated with EDS).

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
4	Conlan, Schwarzmer, Stevens v. Bontá	Not Yet Assigned

In the case of *Conlan, Schwarzmer, Stevens v. Bontá*, the Court of Appeals found that the Department failed to provide a procedure whereby Medi-Cal beneficiaries can be reimbursed for their out-of-pocket expenses for health care received during their period of retroactive eligibility and during the period between their application for Medi-Cal and their determination of eligibility. The Court held that the Department's system of relying upon the beneficiaries to obtain reimbursement from the providers for these expenses is insufficient, because it violates the comparability provisions of the Medicaid law.

The Department is developing and implementing new processes through the Medi-Cal fiscal intermediary to ensure prompt reimbursement to beneficiaries. The FI will be required to hire, train and oversee appropriate staff to address this new workload.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	\$12,369,046
General Funds	\$0	\$ 6,184,523
Cost Reimbursement:		
Total Funds	\$0	\$ 459,000
General Funds	\$0	\$ 229,500
TOTAL FUNDS	\$0	\$12,828,046
GENERAL FUNDS	\$0	\$ 6,414,023

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
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7	Recoupment of Operations Costs Due to the Non-Acceptance of Enhancements	N/A
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As instructed by the Request For Proposal, EDS included the price of all RFP included enhancements in their operations bid. The Department opted to exclude the Fraud Detection and Prevention, Provider Enrollment Redesign and CA-MMIS Data Element Dictionary enhancements from this contract. This change order adjusts the costs that the Contractor included in the fixed price bid for these excluded enhancements, since they are no longer included in the scope of work of the contract.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	\$(497,780)
General Funds	\$0	\$(124,445)
Cost Reimbursement:		
Total Funds	\$0	\$(309,860)
General Funds	\$0	\$ (77,465)
TOTAL FUNDS	\$0	\$(807,640)
GENERAL FUNDS	\$0	\$(201,910)

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
8	Cost Reimbursement Pass-Through Invoices	N/A

The Medi-Cal FI Contract states that the Contractor may directly submit to the Department the invoices of the vendors/subcontractors for the cost reimbursable items that are only pass through items. At the request of the Department, EDS has been processing these invoices on behalf of the State. This change order establishes a mechanism for payment of any processing work already done on behalf of the State and any processing work to be done in the future.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Cost Reimbursement:		
Total Funds	\$316,000	\$158,000
General Funds	\$158,000	\$ 79,000
TOTAL FUNDS	\$316,000	\$158,000
GENERAL FUNDS	\$158,000	\$ 79,000

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
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9	Expansion of Skeletal History File	N/A
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Skeletal History is an abbreviated version of claims history that is used by the batch, weekly adjudication process, to detect duplicate billings, medical policy conflicts, excessive frequency, follow-up conflicts, limit panel pricing, apply adjustments and voids from Erroneous Payment Corrections (EPCs) and Claims Inquiries (CIFs) and assist with the Appeals process. Currently, 15 months of claims history is kept on Skeletal History File (CP-F-078). The implementation of SDN 04048 provides the ability to maintain history in excess of 15 months. It has become apparent that maintaining Skeletal History for a period greater than 15 months will ensure more appropriate reimbursement of claims in regular claims processing cycles as well as specially handled claims such as EPCs, CIFs and Appeals. In addition, the extension is necessary to correctly process resubmitted claims. The expansion is expected to result in savings to the Department. EDS is required through this change order to maintain an additional 33 months of history in the CP-F-078 file, for a total of 48 months for claim types 05, 04, 06B, 02, 03, 07 and 06A.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$43,264	\$57,685
General Funds	\$10,816	\$14,421
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$43,264	\$57,685
GENERAL FUNDS	\$10,816	\$14,421

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
10	Delay in Payment for Change Orders	N/A

Due to the inherent process of procuring the Medi-Cal FI, there was a delay from the release of the RFP and the beginning of operations under the new contract. During this time, new change orders were issued. It was imperative that this work be continued into the current contract. EDS continued the work into the current contract without interruption. The scope of work was later introduced to the current contract as change orders one, two and three and payment was made to the contractor for the work performed. This change order authorizes payment to EDS for the interest lost due to the delay between the work being performed and payment for the services.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Cost Reimbursement:		
Total Funds	\$50,027	\$0
General Funds	\$25,014	\$0
TOTAL FUNDS	\$50,027	\$0
GENERAL FUNDS	\$25,014	\$0

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
11	Medicare Part D Operations	N/A

Provider relations are an essential component of the activities relating to the implementation of the Medicare Modernization Act. Additional provider relations resources are required at EDS to support the major change in pharmacy benefits for dually eligible beneficiaries and the providers who serve them. During the development and implementation phases, providers and other trading partners will need to be notified of the changes made in CA-MMIS. Additional EDS staffing will also be necessary to provide training and offer telephone assistance and clarification on CA-MMIS and claims processing changes. There will also be costs for printing, postage and other costs of provider notification and education, including provider bulletins, notices via mail, and the Internet. On a cash budgeting basis, payments will be made in FY 2006-07.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	\$1,479,410
General Funds	\$0	\$ 369,853
Cost Reimbursement:		
Total Funds	\$0	\$ 186,500
General Funds	\$0	\$ 93,250
TOTAL FUNDS	\$0	\$1,665,910
GENERAL FUNDS	\$0	\$ 463,103

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
12	Telephone Service Center Minutes in Excess of the Contract Maximum	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. Telephone Service Center minutes are paid under the provisions of BVMP and the top volume range was exceeded during the 2003-04 and 2004-05 fiscal years. As a result, this change order was written to negotiate a rate for these excess minutes. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2003-04 and 2004-05 fiscal years; therefore, there are no additional funds required under this change order.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
Cost Reimbursement:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
TOTAL FUNDS	\$0	N/A
GENERAL FUNDS	\$0	N/A

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
13	Production of CA-EVCMS Cards in Excess of the Contract Maximum	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. CA-EV/CMS cards are paid under the provisions of BVMP and the top volume range was exceeded during the 2004-05 fiscal year. As a result, this change order was written to negotiate a rate for these excess cards. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2004-05 fiscal year; therefore, there are no additional funds required under this change order.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
Cost Reimbursement:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
TOTAL FUNDS	\$0	N/A
GENERAL FUNDS	\$0	N/A

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
14	CA-EVCMS Inquiries in Excess of the Contract Maximum	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. CA-EV/CMS inquiries are paid under the provisions of BVMP and the top volume range was exceeded during the 2003-04 and 2004-05 fiscal years. As a result, this change order was written to negotiate a rate for these excess inquiries. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2003-04 and 2004-05 fiscal years; therefore, there are no additional funds required under this change order.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
Cost Reimbursement:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
TOTAL FUNDS	\$0	N/A
GENERAL FUNDS	\$0	N/A

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
15	Online Pharmacy Adjudicated Claim Lines in Excess of the Contract Maximum	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. Online Pharmacy Adjudicated Claim Lines (ACLs) are paid under the provisions of BVMP and the top volume range was exceeded during the 2003-04 and 2004-05 fiscal years. As a result, this change order was written to negotiate a rate for these excess ACLs. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2003-04 and 2004-05 fiscal years; therefore, there are no additional funds required under this change order.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
Cost Reimbursement:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
TOTAL FUNDS	\$0	N/A
GENERAL FUNDS	\$0	N/A

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
16	Drug Utilization Review Processing in Excess of the Contract Maximum	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. Drug Utilization Review (DUR) is paid under the provisions of BVMP and the top volume range was exceeded during the 2003-04 and 2004-05 fiscal years. As a result, this change order was written to negotiate a rate for these excess DUR inquiries. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2003-04 and 2004-05 fiscal years; therefore, there are no additional funds required under this change order.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
Cost Reimbursement:		
Total Funds	\$0	N/A
General Funds	\$0	N/A
TOTAL FUNDS	\$0	N/A
GENERAL FUNDS	\$0	N/A

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
Not Yet Assigned	Weekly Formulary File Updates	N/A

The current Formulary File on the California Medicaid Management Information System (CA-MMIS) uses the National Drug Code (NDC) for pharmacy on-line real time claims processing to pay for drugs. Prices for drugs are changing daily due to market trends, supply and demand, FDA rulings and numerous other factors. Because providers are purchasing from wholesalers and distributors on a daily basis, the ever-changing purchase price impacts their ability to provide services to Medi-Cal beneficiaries when the Department is unable to reimburse these providers with the current cost of the drug. In addition, the Medi-Cal Program is unable to recognize savings when the price for drugs goes down at any point during the month. Therefore, in order to ensure access for pharmacy services to Medi-Cal recipients and recognize savings from price decreases, CDHS has directed the FI Contractor to perform weekly updates on the CA-MMIS Formulary File.

	FY 2005-06	FY 2006-07
Change Order Administration:		
Total Funds	\$289,926	\$609,948
General Funds	\$ 72,482	\$152,487
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$289,926	\$609,948
GENERAL FUNDS	\$ 72,482	\$152,487

MMA – TAR Reductions

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) was signed into law by the President on December 8, 2003. The purpose of this statute is to provide a prescription drug benefit to all Medicare beneficiaries. The Medicare program began providing prescription drug coverage for dual eligibles on January 1, 2006.

Because the Medicare program will provide prescription drug coverage for dual eligibles, there will be a reduction in drug Treatment Authorization Request (TAR) volume when the implementation is completed. This will impact staffing levels for EDS pharmacists and office staff, although staffing standards and the 24-hour turnaround time required by federal statute still must be maintained. It is estimated that 10 EDS Pharmacist Consultants, 32 Key entry positions, 11 Clerk positions, and 2 Supervisors will be reduced beginning January 2007.

The reduced costs listed below are a component of EDS' Hourly Reimbursement, Field Office Automation Group expenditures.

	<u>06-07 TF</u>	<u>06-07 GF (25%)</u>
10 PCI's	(\$ 683,100)	(\$170,775)
32 Keyers	(\$ 465,120)	(\$116,280)
11 Clerks	(\$ 157,905)	(\$ 39,476)
2 Supervisors	<u>(\$ 51,120)</u>	<u>(\$ 12,780)</u>
Total	(\$1,357,245)	(\$339,311)

DENTAL FISCAL INTERMEDIARY

DELTA DENTAL PLAN

ADMINISTRATIVE COSTS FOR THE DELTA DENTAL SERVICES CONTRACT

In 1997, the State awarded Delta Dental Plan of California a contract, which took effect in February of 1998. Full Operations of this contract ended in April 2005. In 2004, the State again awarded Delta (now Delta Dental of California) a contract with Takeover activities commencing on November 1, 2004. Full Operations, including claims processing, began May 1, 2005.

**Delta Dental Administration
May 2006 Estimate**

FY 2005-06

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration/Operations	\$32,371,815	\$8,092,954
Telephone Service Center	\$10,045,829	\$4,244,363
Change Orders	\$2,129,960	\$569,480
Hourly Reimbursable Groups	\$14,012,736	\$3,302,166
Cost Reimbursable Expenses	\$9,233,500	\$4,106,375
Enhancements:	\$0	\$0
Additional Contractual Services:	\$0	\$0
Turnover (25%GF) Activities suspended	\$0	\$0
Takeover (25%GF)	\$2,886,242	\$721,561
Total Dental Administration Costs	\$70,680,082	\$21,036,899

**Delta Dental Administration
May 2006 Estimate**

FY 2006-07

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration Operations	\$33,037,380	\$8,259,345
Telephone Service Center	\$10,359,687	\$4,376,968
Change Orders	\$4,927,588	\$2,356,794
Hourly Reimbursable Groups	\$18,188,784	\$3,771,506
Cost Reimbursable Expenses	\$8,924,000	\$3,538,550
Additional Contractual Services:		
Replacement System (10%) GF	\$4,280,000	\$428,000
Turnover Costs (25%GF)	\$0	\$0
Takeover Costs (25%GF)	\$3,710,884	\$927,721
Total Dental Administration Costs	\$83,428,323	\$23,658,884

DENTAL COST REIMBURSABLE EXPENSES

May 2006 ESTIMATE

	FY 2005-06		FY 2006-07	
	TF	GF	TF	GF
Printing (50%)	\$ 1,780,000	\$ 890,000	\$ 1,600,000	\$ 800,000
Data Center Access/CPU Usage (25%)	\$ 1,000	\$ 250	\$ 1,000	\$ 250
Postage / Parcel Service (50%)	\$ 2,100,000	\$ 1,050,000	\$ 1,700,000	\$ 850,000
Special Training,Convention, Travel(50%)	\$ 420,000	\$ 210,000	\$ 300,000	\$ 150,000
Audits / Research (50%)	\$ 185,000	\$ 92,500	\$ 185,000	\$ 92,500
Facilities Improvement (25%)	\$ 185,000	\$ 46,250	\$ 100,000	\$ 25,000
CRT's/Printers/Equipment (LAN) (25%)	\$ -	\$ -	\$ -	\$ -
Toll Free Phone Charges (25%)	\$ 650,000	\$ 162,500	\$ 315,000	\$ 78,750
Knox-Keene Annual Assessment (50%)	\$ 3,000,000	\$ 1,500,000	\$ 1,850,000	\$ 925,000
Special Assessment	\$ -	\$ -	\$ -	\$ -
Audiotext Equipment (25%)	\$ -	\$ -	\$ -	\$ -
Misc. (50%)	\$ 146,000	\$ 73,000	\$ 146,000	\$ 73,000
Misc. Replacement System Tech Asst.	\$ 301,500	\$ 75,375	\$ 1,809,000	\$ 452,250
Federal Grants*	\$ 400,000	\$ -	\$ -	\$ -
HIPAA IV&V Contractor 90/10	\$ 65,000	\$6,500	\$ 45,000	\$4,500
HIPAA IV&V Sys. Rep. Contr. 90/10	\$ -	\$0	\$ 648,000	\$64,800
HIPAA NPI Contr. 90/10	\$ -	\$ -	\$ 225,000	\$ 22,500
Total	\$ 9,233,500	\$ 4,106,375	\$ 8,924,000	\$ 3,538,550

* Assumes federal approval to continue CMS and HRSA Grant project.

**DELTA DENTAL
ACSL & TAR PROJECTIONS**

MAY 2006

2005-06 Assumptions

- ACSL Projections: 20,619,600 \$24,049,431
- TAR Projections: 1,201,800 \$ 8,322,384
 \$32,371,815
- Full, ongoing costs will be incurred for all contract pricing components.
- FFP for postage, printing, Knox-Keene and Dental Outreach, are funded at 50%.
- Expenditures for all remaining administrative cost categories will be funded at 75% FFP.

FY 2006-07 Assumptions

- ACSL Projections 21,033,400 \$24,593,240
- TAR Projections 1,226,280 \$ 8,444,140
 \$33,037,380
- Full, ongoing costs will be incurred for all contract pricing components.
- FFP for postage, printing, Knox-Keene and Dental Outreach, are funded at 50%.
- Expenditures for all remaining administrative cost categories will be funded at 75% FFP.

Negotiated Change Orders (change orders that carried over from the previous contract and are now active in the new change order):

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
8	Surveillance and Utilization Review Department Expansion	8/2000

This change order is designed to expand the fraud and abuse efforts by Delta Dental, and to establish payment provisions for Delta's increased administrative costs resulting from implementation of this change order. This change order reflects late FY 2004-05 invoices received in FY 2005-06.

	FY 2005-06	FY 2006-07
Total Funds	\$372,000	\$0
General Funds	\$ 93,000	\$0

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
15	HIPAA	05/01

This change order will provide the systems development, operations and technical support to implement the federal requirements of HIPAA. Staff will be added to provide telephone assistance/clarification to trading partners regarding changes to the CD-MMIS. Additional staff in the electronic claims submission area will be needed due to the increase in electronic claims submissions.

	FY 2005-06	FY 2006-07
Total Funds	\$850,000	\$0
General Funds	\$ 85,000	\$0

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
17	Documentation of Medical Necessity For Dental Restorations	4/04

Senate Bill XI 26 (Chapter 9, Statutes of 2003) eliminated the language in Section 14132 of the Welfare and Institutions Code that prohibits the Department from requiring X-rays as a condition of reimbursement for fillings for children under the age of 18 years, and requires documentation of the necessity of dental restorations. The Health Trailer Bill of 2003, AB 1762, specifies that x-rays shall only be required when four or more fillings are being completed in a 12-month period. These requirements were effective October 2003.

SB XI 26 specifies that effective July 1, 2003, laboratory processed crowns on posterior teeth are not covered benefits for adults under Medi-Cal, with some exceptions. It also reduces the rates for subgingival curettage and root planning (except for beneficiaries who reside in skilled nursing and intermediate care facilities) by 41% effective July 1, 2003.

This change order addresses both the Systems Group and Operational costs for these changes.

	FY 2005-06	FY 2006-07
Total Funds	\$95,000	\$0
General Funds	\$23,750	\$0

Change Orders in Progress:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
1	\$1,800 Dental Cap for Adults	07/06

As part of Medi-Cal Redesign, the Budget Act of 2005 includes efforts to align Medi-Cal dental benefits for adults with the benefits available through commercial plans by limiting services available to adults to \$1,800 per calendar year. The contractor will be required to augment staffing and modify the CD-MMIS to accommodate this policy and process changes to implement the cap. The cap will result in savings beginning in FY 2006-07. The Department is expecting to execute a change order to the current FI contract in FY 2005-06.

	FY 2005-06	FY 2006-07
Total Funds	\$500,000	\$800,000
General Funds	\$211,250	\$338,000

(This provides for the financing of change orders which have not yet been negotiated with Delta Dental.)

<u>Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
2	Health Insurance Portability and Accountability (HIPAA) Current Dental Terminology (CDT)	Not Yet Effective

Due to a delay of the regulation package approval, implementation of a change order for CDT, begun under the previous dental FI contract, was not completed. The change order was subsequently closed out, and now a new change order, under the new contract, is being issued. This change order will allow completion of the implementation of CDT. Activities necessary to complete the implementation include increasing staff to support operations due to the implementation of new codes, revising policy manuals, training internal staff, and increasing customer support and EDI support staff.

	FY 2005-06	FY 2006-07
Total Funds	\$312,960	\$2,765,088
General Fund	\$156,480	\$1,382,544

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
Not Yet Assigned	<i>Conlan, Schwarzmer, Stevens v. Bontá</i>	Not Yet Effective

In the case of *Conlan, Schwarzmer, Stevens v. Bontá*, the Court of Appeals found that the Department failed to provide a procedure whereby Medi-Cal beneficiaries can be reimbursed for their out-of-pocket expenses for health care received during their period of retroactive eligibility and during the period between their application for Medi-Cal and their determination of eligibility. The Court held that the Department's system of relying upon the beneficiaries to obtain reimbursement from the providers for these expenses is insufficient, because it violates the comparability provisions of the Medicaid law.

The Department is developing and implementing new processes through the dental fiscal intermediary to ensure prompt reimbursement to beneficiaries. The FI will be required to hire, train and oversee appropriate staff to address this new workload.

	FY 2005-06	FY 2006-07
Total Funds	\$0	\$1,250,000
General Funds	\$0	\$ 625,000

<u>Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
Not Yet Assigned	Health Insurance Portability and Accountability Act (HIPAA) National Provider Identification	Not Yet Effective

This change order supports the implementation of the HIPAA National Provider Identification (NPI) to meet the federal compliance date of May 27, 2007. Activities related to NPI include operations activities, manual revisions, internal staff training, provider enrollment, provider training and electronic data Information support to support acceptance of the NPI.

	FY 2005-06	FY 2006-07
Total Funds	\$0	\$112,500
General Fund	\$0	\$ 12,500

System Replacement for California Dental Management Information System (CD-MMIS)

The dental claims processing contract was recently awarded to Delta Dental, the incumbent. The request for proposal was for the takeover of the existing Denti-Cal fee-for-service program and related systems. In an effort to reduce future bid prices, the Department will seek to increase the competition for the next contract procurement by bringing the antiquated CD-MMIS legacy system architecture into more widely supported current technology standards. Additionally, it is envisioned that this new system will automate claims adjudication processes that are currently performed manually. The system will meet all Medicaid Information Technology Architecture requirements and will be eligible for federal certification. The federal government has approved this proposal in concept and is awaiting the advanced planning document for review. Once approved, the federal participation will be 90% FFP/10% GF for design, development and implementation of this system.

The first step is to gain Office of Technology Review, Oversight and Security (OTROS) acceptance through submission of a Business Case Justification, and then CMS approval by developing an Advanced Planning Document (APD). This APD will provide a gap analysis between the proposed solution and the existing system capabilities and processes. In FY 2005-06, a Replacement System Technical Assistant will work with the fiscal intermediary in preparing the APD, and in FY 2006-07 this contractor will conduct project management and oversight of the design, development and implementation of the new system. Upon approval of the APD, the Department will direct Delta to secure an IV&V contractor to conduct an independent verification and validation audit and perform project management services in both FY 2005-06 and FY 2006-07. Implementation of the system replacement will begin in FY 2006-07. Fiscal Intermediary cost for the replacement is estimated at \$21 million. Total one time cost including FI, technical assistance and IV&V will be \$29 million.

	<u>FY 2005-06 TF</u>	<u>FY 2005-06 GF</u>
Cost Reimbursement		
Replacement Sys.Tech. Assistant (75%)	\$ 301,500	\$ 75,375
Replacement Sys. IV&V Contractor (90/10)	\$0	\$0
Additional Contractual Services		
Replacement Systems (90/10)	\$0	\$0
Total	\$ 301,500	\$ 75,375

	<u>FY 2006-07 TF</u>	<u>FY 2006-07 GF</u>
Cost Reimbursement:		
Replacement Sys. Tech. Assistant (75%)	\$1,809,000	\$ 452,250
Replacement Sys. IV&V Contractor (90/10)	\$ 648,000	\$ 64,800
Additional Contractual Services:		
Replacement Systems (90/10)	\$4,280,000	\$ 428,000
Total	\$6,737,000	\$ 945,050

HEALTH CARE OPTIONS

MAXIMUS

HEALTH CARE OPTIONS

The enrollment broker contract, commonly referred to as Health Care Options (HCO), is responsible for enrolling Medi-Cal beneficiaries into Medi-Cal managed care plans in 12 two-plan model counties, two Geographic Managed Care counties, and several other counties where managed care is an option. The enrollment broker also enrolls beneficiaries into dental care plans in Sacramento County (mandatory) and Los Angeles County (voluntary).

As part of the Medi-Cal Redesign, the Department is expanding mandatory enrollment in the Medi-Cal Managed Care program to additional counties that currently operate under Medi-Cal's fee-for-service (FFS) system. Six of those counties, with an estimated 161,000 beneficiaries, will impact costs at HCO. Costs associated with this expansion will begin in FY 2005-06.

Maximus, Inc. (enrollment broker) has been the contractor for HCO since October 1, 1996. The current HCO contract with Maximus began October 1, 2001 and ended September 30, 2004, with three optional one year extensions. The contract includes the implementation of a new non-proprietary computer enrollment system as well as numerous enhancements and additional contractual services. These are designed to improve the existing systems and enrollment methods, and to improve access to health care while increasing the Department's ability to limit fraud.

HEALTH CARE OPTIONS
May 2006 Estimate
FY 2005-06

CONTRACT NO. 01-15932:

Operations:

Section 8.3.2	Transactions	\$4,046,227	
Section 8.3.3	Mailings	\$8,637,770	
Section 8.3.47	Beneficiary Direct Assistance	\$7,656,938	
	Notices to Voluntary Aid Codes	\$982,674	
	Two Plan Model Procurement	\$286,487	
	<i>Total Operations</i>		\$21,610,096

Hourly Reimbursement:

Section 8.6	Enrollment Services Representatives	\$10,405,920	
Section 8.6	Systems Group	\$0	
	<i>Total Hourly Reimbursement</i>		\$10,405,920

Cost Reimbursement

Section 8.7	Various		\$12,592,047
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Change Order #1 Medi-Cal Redesign - Expansion \$0

TOTAL HEALTH CARE OPTIONS FY 2005/06 ESTIMATE

\$44,608,063

HEALTH CARE OPTIONS
May 2006 Estimate
FY 2006-07

CONTRACT NO. 01-15932:

Operations:

Section 8.3.2	Transactions	\$4,261,607	
Section 8.3.3	Mailings	\$9,112,227	
Section 8.3.47	Beneficiary Direct Assistance	\$8,059,280	
	Two Plan Model Procurement	\$379,997	
	Notices to Voluntary Aid Codes	\$1,041,955	
	<i>Total Operations</i>		\$22,855,066

Hourly Reimbursement:

Section 8.6	Enrollment Services Representatives	\$10,543,200	
	Systems Group	\$0	
	<i>Total Hourly Reimbursement</i>		\$10,543,200

Cost Reimbursement:

Section 8.7.1	Various		\$13,465,312
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Turnover

Section 8.8	\$302,471
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Change Order #1

Medi-Cal Redesign - Expansion	\$0
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TOTAL HEALTH CARE OPTIONS FY 2006/07 ESTIMATE

\$47,166,049

Consumer Guide on Quality for Medi-Cal Managed Care Beneficiaries

The Balanced Budget Act of 1997 (42 CFR, Part 438.10(i)(3)(iv)), as implemented by Medicaid managed care rules finalized in 2002, requires states with Medicaid managed care delivery systems to provide potential enrollees with information about the health plans available to them. The California Medi-Cal Managed Care Program will augment the annual re-notification letter and the health plan information currently provided in its enrollment packets to include a consumer guide, which compares health plan performance across several key areas. There will be increased costs for printing and integrating health plan consumer guides into the re-notification letter and the existing enrollment packets. This project started in September 2005.

	FY 2005-06	FY 2006-07
Total Funds	\$1,293,263	\$1,894,460
General Funds	\$ 646,632	\$ 947,230

Two Plan Model Procurements

Under the Two-Plan Model program, the Department contracts with two managed care plans in a county. One plan is a locally developed managed care health plan referred to as the Local Initiative (LI) and the other is a non-governmentally operated health maintenance organization referred to as the Commercial Plan (CP).

The Medi-Cal Managed Care Division is in the process of reprocurring the managed care health plan contracts in the Central Valley, Bay Area and Southern California Two-Plan model counties. The process resulted in Commercial Plan contract changes in Stanislaus and Kern Counties. All the new contracts became operational with the exception of Riverside and San Bernardino Counties. HCO sent notification of commercial plan changes to Medi-Cal beneficiaries in Stanislaus and Kern Counties. The development, production and mailing of the notices and revised informing materials will result in increased HCO costs.

	FY 2005-06	FY 2006-07
Total Funds	\$573,908	\$900,316
General Funds	\$286,954	\$450,158

Notices to Voluntary Aid Code Beneficiaries/Threshold Languages

State Medicaid programs that include managed care components are required by the Balanced Budget Act of 1997, as implemented by Medicaid managed care rules finalized in 2002, to notify all new potential eligibles in voluntary aid codes that they have the option to enroll in a managed care plan. This new function for the Health Care Options (HCO) includes identifying, informing, and enrolling/disenrolling voluntary aid code beneficiaries. New informing materials are to be developed that will apply to this new population.

Approximately one-third of Medi-Cal beneficiaries that participate in Medi-Cal managed care health plans indicate a language other than English as their primary language. Currently, informing materials are available in English and nine threshold languages. The Department's latest update to the Threshold and Concentration Standard Language data tables for this managed care eligible population indicates an increase in non-English speaking eligibles. This data now reflects that informing materials should be available in English, as well as eight of the previously identified nine languages, and four new threshold languages. The eight existing languages are; Armenian, Cambodian, Chinese (Cantonese), Farsi, Hmong, Russian, Spanish, and Vietnamese. With the addition of the four new threshold languages (Arabic, Korean, Chinese/written materials in traditional Chinese, and Tagalog), Laotian is being eliminated.

All notices to voluntary aid code beneficiaries, and all associated call center and presentation site scripts, will have to be translated into the four new languages. This will increase the cost of these HCO operations, and will result in a contract change order/amendment.

	FY 2005-06	FY 2006-07
Total Funds	\$1,376,801	\$1,041,955
General Funds	\$ 688,401	\$ 520,978

Medi-Cal Redesign - Expansion

The Budget Act of 2005 included geographic expansion of managed care in 13 additional counties. This action included approval to mandatorily enroll seniors and persons with disabilities in any of the expansion counties with County Organized Health Systems. The Department continues to work with the expansion counties.

HCO will need to develop informing materials specific to the new counties, establish new presentation sites and hire an additional 16 Enrollment Services Representatives to staff the sites. This will result in increased packet mailings, higher volumes of call center minutes and enrollment/disenrollment transactions. HCO costs associated with the expansion will begin in FY 2007-08.

	FY 2005-06	FY 2006-07
Total Funds	\$0	\$0
General Funds	\$0	\$0

**MISCELLANEOUS
EXPENDITURES**

CALIFORNIA STATE CONTROLLER AND CALIFORNIA STATE TREASURER AGREEMENTS

Pursuant to an interagency agreement with the California Department of Health Services, the California State Controller's Office (CSCO) issues warrants to Medi-Cal providers and the California State Treasurer's Office (CSTO) provides funds for warrant redemption.

CSCO Assumptions

- Seventy-five percent FFP is claimed for SCO costs related to warrant and remittance advice detail (RAD) production. Due to all costs associated with the Medically Indigent Adult SNF cases being 100% payable from the General Fund, the net effective FFP ratio is 74.9%.
- Fifty percent FFP is claimed for postage costs.
- One hundred percent FFP is claimed for auditing services.
- CHDP costs are 100% GF

CSTO Assumptions

- Seventy five percent FFP is claimed for all STO costs related to warrant redemption services.

	<u>Total</u>	<u>GF</u>	<u>FFP</u>
<u>FY 2005-06 Estimate</u>			
CSCO			
Warrants & RADs	\$1,601,190	\$400,298	\$1,200,893
Postage	\$1,067,460	\$533,730	\$ 533,730
SCO Total	\$2,668,650	\$934,028	\$1,734,623
CSTO			
Warrant Redemption	\$ 114,600	\$ 28,650	\$ 85,950
<u>TOTAL</u>	\$2,783,250	\$962,678	\$1,820,573
<u>FY 2006-07 Estimate</u>			
CSCO			
Warrants & RADs	\$1,411,735	\$352,934	\$1,058,801
Postage	\$1,251,916	\$625,958	\$ 625,958
Bank Reconciliation	\$ 35,689	\$ 17,845	\$ 17,845
SCO Total	\$2,699,340	\$996,736	\$1,702,604
CSTO			
Warrant Redemption	\$ 114,600	\$ 28,650	\$ 85,950
<u>TOTAL</u>	\$2,813,940	\$1,025,386	\$1,788,554

INSURANCE I.D. CONTRACTS

The Department contracts with vendors to identify recipients with other health insurance. Since Medi-Cal is the payor of last resort, other health plans must first be billed before the Medi-Cal program. These contracts provide: 1) data matches between the Department's Medi-Cal Recipient Eligibility file and the contractor's policy holder/subscriber file, 2) identification and recovery of Medi-Cal expenditures in worker's compensation action, 3) identification and verification of private and group health coverage held, 4) online access to research database services for the public records of Medi-Cal recipients, and 5) cost avoidance activities.

	FY 2005-06	FY 2006-07
Total Funds	\$3,000,000	\$4,000,000
General Funds	\$ 750,000	\$1,000,000

MEDICAL FI TECHNOLOGY ASSESSMENT

The Department requires the services of a consultant versed in state-of-the-art technology, business trends and the Department's business requirements to help develop the technology requirements for the medical FI request proposal. The consultant contractor will interview key Department staff involved in the daily monitoring of the current FI contract to understand the present day working level environment and needs. The consultant will then be able to extrapolate critical information as the foundation for defining and describing the Department's future business needs with regard to the FI contract. The consultant contractor will also serve as a key member of the evaluation team (in their review of bidder proposal responsiveness and bidder qualification for undertaking the FI workload).

	FY 2005-06	FY 2006-07
Total Funds	\$0	\$500,000
General Funds	\$0	\$250,000

PROVIDER VERIFICATION FILE

Pursuant to an interagency agreement with the California Department of Consumer Affairs, Medical Board of California, the California Department of Health Services (CDHS) purchases licensure data. This data gives CDHS the ability to verify that prospective providers are currently licensed prior to enrollment in the Medi-Cal program. It also enables CDHS to verify the validity of the referring provider license number on Medi-Cal claims.

	FY 2005-06	FY 2006-07
Total Funds	\$4,000	\$4,000
General Funds	\$1,000	\$1,000

HIPAA PROJECT SUMMARY

The Department's Medi-Cal fiscal intermediary HIPAA costs are displayed within the Systems Group (SG), Change Order (CO), Cost Reimbursement (CR) for both the EDS and Delta Dental contracts and Systems Group (SG) only for the Maximus contract as follows:

	FY 2005-06		FY 2006-07	
Total Funds	\$ 26,687,152		\$ 41,984,123	
General Funds	\$ 3,270,367		\$ 5,884,194	

	FY 2005-06		FY 2006-07	
	<u>Total Funds</u>	<u>GF</u>	<u>Total Funds</u>	<u>GF</u>
EDS – NCPDP Processing (CO)	\$ 891,268	\$ 222,817	\$ 926,919	\$ 231,730
EDS – Medical Processing (CO)	\$ 677,923	\$ 338,961	\$ 705,040	\$ 352,520
EDS – Technical (CO)	\$ 5,169,991	\$ 516,999	\$ 5,376,791	\$ 537,679
EDS – Cost Reimbursement (CO)	\$ 95,954	\$ 23,988	\$ 95,954	\$ 23,989
EDS – Development (SG)	\$12,491,154	\$ 1,249,115	\$12,958,106	\$ 1,295,811
EDS – UPN (SG)	\$ 1,800,000	\$ 180,000	\$ 0	\$ 0
EDS – NPI (SG)	\$ 345,000	\$ 34,500	\$ 8,000,000	\$ 800,000
EDS – HIPAA Security (SG)	\$ 900,000	\$ 90,000	\$ 0	\$ 0
EDS – HIPAA Link Elect & Fax (CR)	\$ 0	\$ 0	\$ 1,200	\$ 120
EDS – Trans Validity Test Tool (CR)	\$ 100,000	\$ 10,000	\$ 145,000	\$ 14,500
EDS – HIPAA Security (CR)	\$ 140,000	\$ 35,000	\$ 962,000	\$ 240,500
EDS – UPN Hardware/Software (CR)	\$ 0	\$ 0	\$ 1,500,000	\$ 150,000
EDS – UPN Project Manager (CR)	\$ 180,000	\$ 18,000	\$ 275,000	\$ 27,500
EDS – UPN Data Contractor (CR)	\$ 10,000	\$ 1,000	\$ 1,300,000	\$ 130,000
EDS – Code Conv Proj Mgr (CR)	\$ 282,240	\$ 28,224	\$ 284,256	\$ 28,426
EDS – Code Conversion (CR)	\$ 420,000	\$ 42,000	\$ 560,000	\$ 56,000
EDS – IV&V Contractor (CR)	\$ 350,000	\$ 35,000	\$ 575,000	\$ 57,500
EDS – HIPAA/COBA Sec Assess (CR)	\$ 175,000	\$ 17,500	\$ 0	\$ 0
Total Medical FI (EDS)	\$24,028,531	\$ 2,843,106	\$33,665,265	\$ 3,946,273
Delta – Tech & Operational (CO 15)	\$ 850,000	\$ 85,000	\$ 0	\$ 0
Delta – HIPAA CDT (CO 2)	\$ 312,960	\$ 156,480	\$ 2,765,088	\$ 1,382,544
Delta – NPI Remediation (NA CO)	\$ 0	\$ 0	\$ 112,500	\$ 11,250
Delta – HIPAA (SG)	\$ 1,340,123	\$ 134,012	\$ 671,270	\$ 67,127
Delta – NPI (SG)	\$ 0	\$ 0	\$ 4,500,000	\$ 450,000
Delta – HIPAA IV&V Contractor (CR)	\$ 65,000	\$ 6,500	\$ 45,000	\$ 4,500
Delta – NPI IV&V Contractor (CR)	\$ 0	\$ 0	\$ 225,000	\$ 22,500
Total Dental FI (Delta)	\$ 2,568,083	\$ 381,992	\$ 8,318,858	\$ 1,937,921
Maximus – Security Assess (SG)	\$ 90,538	\$ 45,269	\$ 0	\$ 0
Total HCO FI (Maximus)	\$ 90,538	\$ 45,269	\$ 0	\$ 0
Total HIPAA	\$26,687,152	\$ 3,270,367	\$41,984,123	\$ 5,884,194

*Does not include HIPAA support costs or FFP for other departments' HIPAA costs, which are budgeted in the Other Administration tab of the Estimate.